

EMBOLDENED ON THE EVE OF THE FED'S DECISION

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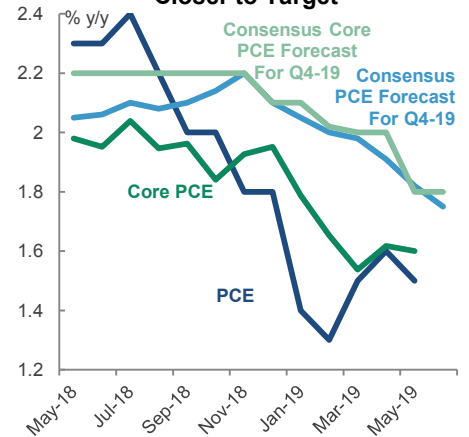
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Next Week's Risk Dashboard

- CBs: Fed, BoE, BoJ, Brazil
- US-China trade talks
- US-France frictions
- GDP: Eurozone, Canada, Mexico, HK, Sweden, Taiwan
- US macro: nonfarm, PCE, ADP...
- ...ISM, trade, confidence, ECI, other
- PMIs: China, UK, Canada
- Inflation: US, EZ, Australia, Indonesia, SK, Thailand, Peru
- US earnings
- CDN trade

Chart of the Week

Will Fed Rate Cuts Shift US Inflation Closer to Target



Sources: Scotiabank Economics, Bloomberg.

Chart of the Week: Prepared by: Evan Andrade, Research Analyst.

Emboldened On the Eve of the Fed's Decision

UNITED STATES—MEH, WHY NOT?

A packed week lies ahead with everything from the Fed, trade negotiations, top-shelf macro releases and earnings releases on tap.

The Federal Reserve's two day meeting ends on Wednesday and culminates in a 2pmET statement followed by Chair Powell's press conference. There will be no forecasts or dot plots until the September FOMC. Here is a rundown of expectations and risks.

1. 25bps Rate Cut

Markets assign 100% odds to a cut. The consensus of economists is somewhat divided with about three quarters of us expecting a cut of 25bps and the remainder expecting a 50 bps cut. I find going 50bps in one shot to be implausible and even less so now than some time ago. Not even the most dovish of FOMC members lean that way. Further, if they are at all data dependent, then continued solid GDP growth and rebounding core PCE inflation lean against a large opening shot (recall [here](#)). The main argument for going big is derived from the body of thought that posits easing in a low rate environment is more likely to be impactful when it is aggressively front-loaded, but that still requires a strong case for doing so. Relative to what is priced at this juncture, the Fed is likely content with the amount of rate cuts already factored into markets, or less.

2. Guidance

The statement is likely to retain the following reference concluding paragraph:

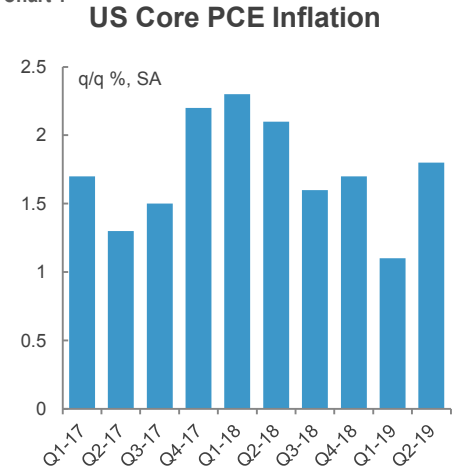
"In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments."

Chair Powell's press conference is also likely to emphasize a data dependent approach with policy not set on a predetermined path. If so, this would run counter to market hopes that the Fed will seek to reaffirm market pricing for two more rate cuts this year after next week.

3. Risks and crosscurrents

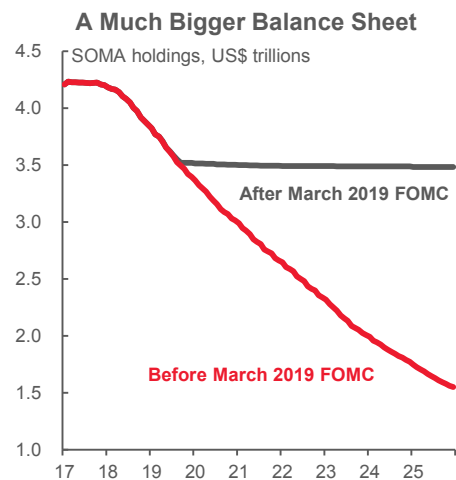
Does Powell think the risks and uncertainties facing the outlook have increased, stayed the same or decreased? A case can be made for how they have slightly decreased since the last meeting on June 18th–19th. The debt ceiling and funding agreement is one reason for this. The slight improvement in core PCE inflation (chart 1) and slightly stronger Q2 GDP growth offer additional reasons. Indeed, Powell might sound somewhat less confident about easing risks than he did when he testified before Congress on July 10th–11th. Other than 'what the heck, why not', what he could emphasize in favour of easing includes a) global trade tensions and the toll on cap-ex, b) widened bands around forecasts stemming from higher uncertainty, c) bond market signals and insurance toward re-steepening the 90s10s slope as an historical predictor of recessions, and d) weakness abroad. Powell will nevertheless likely sound quite positive toward the domestic economy.

Chart 1



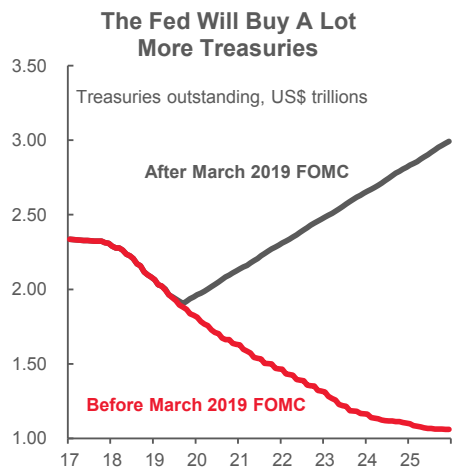
Sources: Scotiabank Economics, BEA.

Chart 2



Sources: Scotiabank Economics, FRB New York.

Chart 3



Sources: Scotiabank Economics, FRB New York.

4. Expedited Balance Sheet Unwind?

There is a risk that the Fed slightly expedites its plan to cease unwinding its balance sheet from the end of September 2019 to when it cuts the policy rate. The de minimis gain to markets that have already priced in the plans that were introduced at the March meeting and that began to be implemented in May by rolling over MBS flows into Treasuries argues against changing anything. The before-March and after-March shots of the five year outlook for the overall SOMA portfolio and just the Treasury holdings within the QE vehicle are shown in charts 2 and 3. Then again, the risks associated with expediting plans are also de minimis so one could argue the opposite. On balance, we feel that the Federal Reserve is content with decisions it has made on balance sheet management, wary of creating the impression that it will fiddle with the balance sheet in erratic and excessively frequent fashion, and will rely upon its policy rate to incrementally adjust to circumstances. Overall, the difference between stopping unwinding now versus after September amounts to freezing the SOMA portfolio at US\$3.6 trillion instead of US\$3.5 trillion. It is utterly inconsequential to do so and it is not incompatible to cut the policy rate range while sticking to existing balance sheet plans.

5. Controlling short-term market rates

As chart 4 shows, the effective fed funds target rate continues to breach the Interest on Excess Reserves (IOER) rate. When it has threatened to push toward either the upper bound of the fed funds target range or, during the period of IOER cuts, push above IOER itself, the Fed has tended to widen the spread between IOER and fed funds. That could imply that the current spread of -15bps will be widened further by cutting IOER by more than 25bps. Alternatively, the Fed could leave it alone, or utilize other tools such as open market operations and/or take a bolder step toward establishing a Standing Repo Facility.

6. Dissenters

The unity of the FOMC behind Chair Powell that has existed so far might begin to crack. It is possible we could see dissenters no matter what decision is made. Voting FOMC members like Boston Fed President Rosengren and KC President George are not thrilled about easing. Voting doves like Bullard and Evans would likely be displeased by inaction.

7. USD intervention

It's highly unlikely that Powell would broach the topic of the USD versus deferring to Treasury. That doesn't mean he might not be asked in the press conference about his views on what is driving the USD, its implications for growth and inflation and his openness toward supporting the highly unlikely scenario of Treasury-led intervention even though the White House recently poured cold water on the concept. One would think that Powell will do his best to sound neutral and likely defer to Treasury versus getting tripped up and sparking dollar volatility with his remarks.

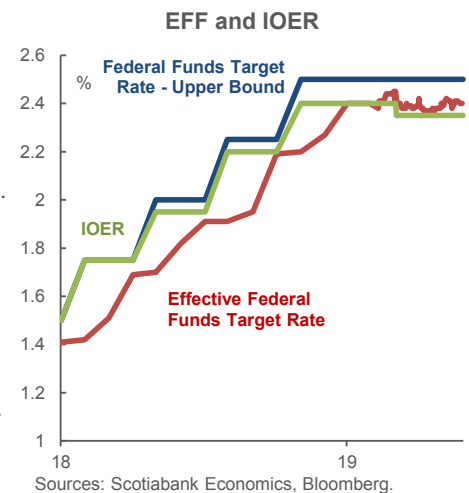
US-China trade talks recommence at high levels on Tuesday in Beijing. A soured tone was created at the end of this past week when it was disclosed that Trump reportedly directed the USTR to challenge China's developing country status at the WTO. US Treasury Secretary Mnuchin and USTR Lighthizer will lead a delegation. Headline risk is possible either during the two-day FOMC meeting or shortly thereafter and it could come either directly from the negotiating team or after they report back to Trump. **I'm sure it's no coincidence that Trump raised trade policy risks—also against France—on the eve of the Fed meeting!**

Macro data risk will be very high over the coming week, but particularly concentrated upon three releases.

a) Nonfarm payrolls (Friday)

I've gone with stable wage growth of 3.1%, an unchanged unemployment rate of 3.7% and a payroll rise of 175k for the July estimates. If these estimates are close to the mark, then the incremental impact upon the Fed will be small but not likely in favour of easing pressures. ADP private payrolls will shed a clue on Wednesday.

Chart 4



b) Consumption, income, PCE inflation

The main risk is how July core PCE and the monthly distribution of revisions to quarterly core inflation work through. An up-tick in core PCE inflation is estimated and based upon the previously known rise in core CPI inflation. Consumer spending likely advanced solidly given what we already know from the retail sales figures that were up 0.4% m/m and 0.7% for the retail sales control group that factors more directly into consumer spending as captured in the GDP accounts. Solid income growth is expected to continue given the rebound in payrolls during June and wage growth.

c) ISM-manufacturing

Toss a coin. The large fall in the regional Richmond Fed gauge and the large rise in the Philly Fed metric largely cancel out one another by way of implications for headline ISM. On net, little change is expected such that ISM will probably continue to depict little growth momentum.

Tertiary releases will include Tuesday’s consumer confidence, pending home sales and repeat home sales prices. Wednesday brings out the Q2 Employment Cost Index that is among the wage measures considered by the Fed. Thursday considers construction spending and vehicle sales before Friday wraps it up with trade and factory orders as distant considerations behind nonfarm.

The earnings deluge will continue including Q2 earnings from 164 firms listed on the S&P500. Breadth deepens and some of the names will include Apple, Merck and Pfizer.

CANADA—GETTING THROUGH THE REBOUND

For the most part, Canadian markets will be on the sidelines, importing market effects stemming from grander global developments abroad over the coming week. The domestic calendar will entail updating the magnitude, quality and durability of the growth rebound in the second quarter, and tracking an onslaught of corporate earnings reports.

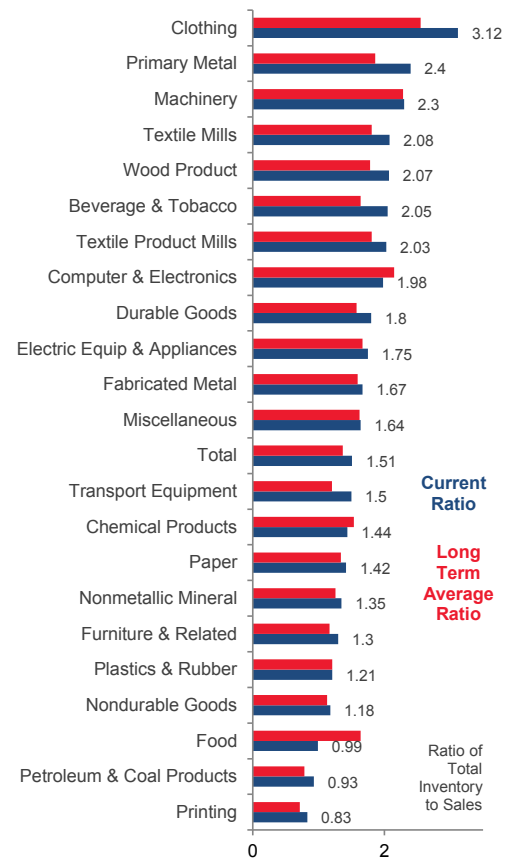
GDP for May lands on Wednesday. I’ve estimated growth of about 0.1% m/m. If so, then second quarter GDP growth would be tracking around 2¾% using the monthly production-side figures. That would leave growth broadly tracking in line with the Bank of Canada’s July forecast for Q2 GDP growth of 2.3% after taking account of measurement differences between monthly production-side GDP that arrives next week for May and quarterly expenditure-side GDP that arrives for Q2 only on August 30th. A net drag from inventories and imports explains potentially softer tracking of the expenditure based concept compared to the production figures. Canada continues to have an inventory problem that is concentrated within the manufacturing and wholesale sectors. Within manufacturing, multiple subsectors are running inventory-to-sale ratios that are well above historical norms (chart 5).

As for May, any gain would rest upon growth in manufacturing shipments volumes (+1.7% m/m) and strong growth in exports relative to imports as a potential signal of broader strength in the economy. Nevertheless, other drivers were generally negative, including a 0.3% m/m drop in hours worked, a 1.9% drop in wholesale trade volumes, a 0.5% decline in retail sales volumes and about a 15% decline in housing starts.

On the back of the probably transitory distortions that unexpectedly drove Canada into a trade surplus during May, **next Friday’s trade figures are likely to witness a return to deficits.** Recall the transitory and idiosyncratic nature of the large

Chart 5

May Inventory Sales Ratios by Sector



Note: Data Labels are current ratios; leather goods sector excluded. Sources: Scotiabank Economics, StatsCan.

4.6% m/m jump in exports during May ([here](#)) that may well reverse course as such influences lose momentum. The figures will kick off tracking for June GDP.

Eighty TSX-listed firms release earnings over the coming week as the Canadian Q2 earnings season kicks into high gear. Among the names will be Air Canada, WestJet, several gold and other resource plays, Great-West Lifeco, Genworth, Encana, Sun Life, Thomson Reuters, BCE, AltaGas, Shopify, Bombardier, SNC-Lavalin and Telus.

Canada auctions 3s on Thursday.

LATIN AMERICA—WILL BRAZIL HOLD OR FOLD?

Latin American markets face a trio of gems that could influence local markets that will otherwise be buffeted by heavy external risks, given their status as small- to modest-sized markets.

Banco Central do Brasil may cut its Selic rate by 25bps on Wednesday. Consensus is somewhat divided on a reduction with some expecting a hold and some forecasting more aggressive easing. Brazil's mid-month inflation measure for July incrementally supported the case for easing. The IBGE IPCA-15 inflation metric fell to 3.3% y/y (3.8% prior, 3.3% consensus) and is rolling over from nearly 5% in May. That brings inflation to well within the central bank's target range of 3% to 6%. In turn, softer inflation unshackles the central bank by enabling it to address weak growth after the mild contraction in 2019Q1 following little growth the previous quarter.

Mexico reports Q2 GDP growth on Wednesday. Growth is expected to remain soft at around 0.8% y/y following one-handed GDP growth in each of the prior two quarters. Headline CPI inflation has been falling to under 4% y/y in June with core CPI at about 3.9%, but both measures remain toward the upper end of Banxico's inflation target rate of 2–4%. After briefly depreciating at the end of May and early June on the back of Trump's threat to impose tariffs, the peso has since stabilized. See chart 6. Banxico therefore doesn't have immediate cause for easing despite soft growth, and the narrative surrounding the central bank will be further informed over H2 pending developments such as what the Federal Reserve does beyond the three rate cuts that are mostly already priced and the concomitant influences upon the peso and inflation pass-through risk. At present, Scotia's house view driven by our Mexican economics team is that Banxico remains on hold over the duration of 2019. Markets are pricing over 50% odds of a rate cut toward the final two meetings of the year in November and December but the probability reaches about one-in-three odds by September.

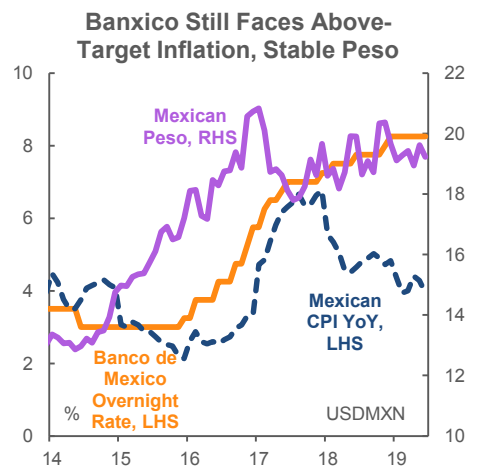
Peru updates CPI inflation for July on Thursday. Inflation has been taking a bit of a breather of late, but at 2.3% y/y in June remained above the mid-point of the central bank's 1–3% policy target range. The central bank has been on hold at a reference rate of 2.75% since March of 2018. Scotia's house view remains that the policy rate will be held constant through to the end of the year.

ASIA-PACIFIC—私はそうあなたに言った

As the ECB and Fed race to provide stimulus, and as the title to this section suggests, there may well be an air of 'I told you so' hanging over the Bank of Japan's meeting next week. Low inflation, it seems, is not just a Japanese thing. The BoJ decision may be notable if for little other reason than the likelihood that the massive ongoing easing provided to date will remain intact as the Fed and ECB embark upon easing campaigns.

No material change of course is expected by the Bank of Japan that offers its latest policy decisions and guidance on Tuesday. The policy balance rate is likely to remain unchanged at -0.1% and the nominal 10 year yield target of around 0% is also unlikely to change. Forward guidance will probably remain unchanged with a pledge that the BoJ "intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020." Governor Kuroda has previously guided that the 10 year target is bracketed by +/-20bps and the ten year JGB yield at the

Chart 6



Sources: Scotiabank Economics, Banco de Mexico, Bloomberg.

time of publishing sits at -16bps. Fresh forecasts will be offered, but are unlikely to materially deviate from the previous forecast for 2019 growth of 0.8% with core CPI inflation projected to rise from 1.1% in 2019, to 1.4% in 2020 and 1.6% in 2021. Note that Japan will also update a variety of economic indicators from retail sales to job markets, industrial production and housing starts through the first half of the week.

China will update its purchasing managers' indices for July on Tuesday (state) and Wednesday (private, manufacturing). The manufacturing PMIs have been slightly in contraction territory but overall GDP growth has been buoyed in part by the more positive non-manufacturing PMI signals (chart 7).

Inflation reports out of Australia (Tuesday), South Korea (Wednesday), Indonesia (Thursday) and Thailand (Thursday) will incrementally inform regional central bank outlooks.

EUROPE—BoE HANDCUFFED BY BREXIT, STERLING

If one wanted proof that US President Trump feels emboldened by the security blanket offered to him by the Fed's pending easing, it arrived this past week as a warning ahead of the coming week's developments. **A key risk may be a brewing trade spat between the US and France** that could overshadow the Bank of England and a heavy calendar of European releases.

Trump announced at week's end that "We will announce a substantial reciprocal action on Macron's foolishness shortly." This is in response to President Macron's move to sign into law a 3% revenue tax on technology firms retroactive to the start of the year. The tax will apply to firms with over 750 million in revenues and digital sales of 25 million in France. By definition, most—but not all—of these are US firms.

Whether France may counter with escalating measures is unclear.

A relative sideshow could be the Bank of England's decision on Thursday alongside fresh forecasts in its latest quarterly Inflation Report. No change in Bank Rate is expected (0.75%). Markets are pricing roughly 50% odds of a rate cut after the October 31st Brexit deadline (chart 8). While domestic activity readings have soured, part of this may be transitory as earlier Brexit-related stocking effects unwind. Fresh readings on manufacturing and construction PMIs arrive next Thursday and Friday respectively. Further, the 6% depreciation in pound sterling versus the USD since early May is an inflation risk given the connection between the currency and core CPI (chart 9).

Eurozone CPI for July and Q2 GDP growth arrives on Wednesday morning ahead of the Fed. Scant growth and possibly further downward pressure upon core CPI are anticipated. If so, then a) such evidence would cause further concern at the Fed about external risks, and b) it would add to expectations for major stimulus to be provided by the ECB at its September 12th meeting.

Chart 7

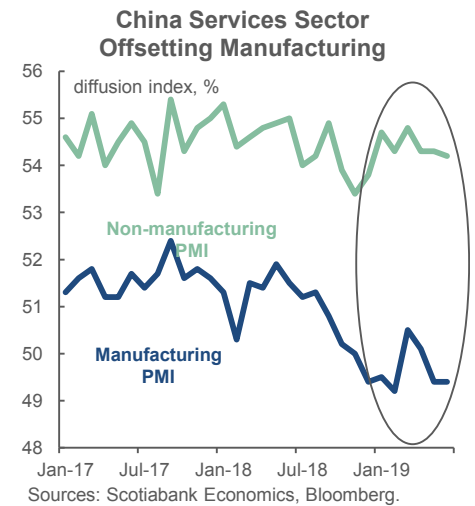


Chart 8

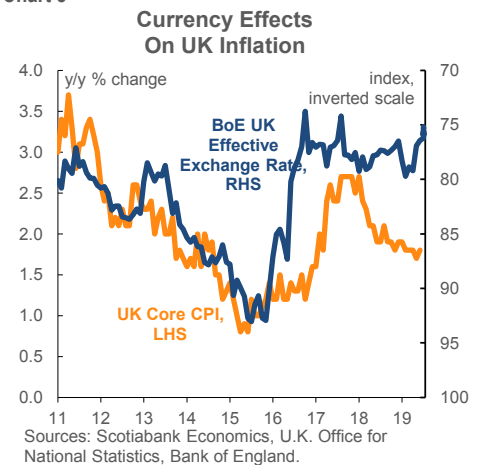
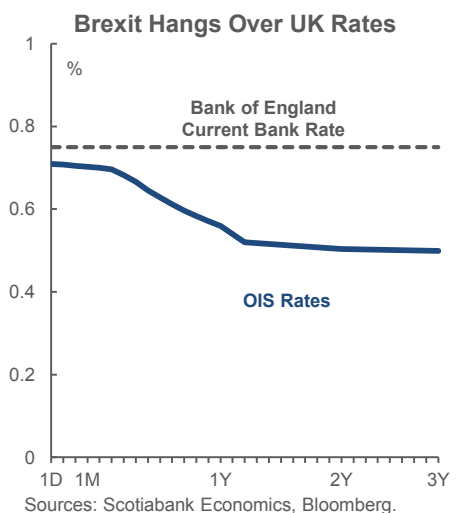


Chart 9



Key Indicators for the week of July 29 – August 2

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
MX	07/29	07:00	Unemployment Rate (%)	Jun	3.63	--	3.5
US	07/29	10:30	Dallas Fed. Manufacturing Activity	Jul	--	-5.0	-12.1
US	07/30	08:30	PCE Deflator (m/m)	Jun	0.1	0.1	0.2
US	07/30	08:30	PCE Deflator (y/y)	Jun	1.4	1.5	1.5
US	07/30	08:30	PCE ex. Food & Energy (m/m)	Jun	0.2	0.2	0.2
US	07/30	08:30	PCE ex. Food & Energy (y/y)	Jun	1.7	1.7	1.6
US	07/30	08:30	Personal Spending (m/m)	Jun	0.3	0.3	0.4
US	07/30	08:30	Personal Income (m/m)	Jun	0.3	0.4	0.5
US	07/30	09:00	S&P/Case-Shiller Home Price Index (m/m)	May	--	0.2	0.0
US	07/30	09:00	S&P/Case-Shiller Home Price Index (y/y)	May	--	2.4	2.5
US	07/30	10:00	Consumer Confidence Index	Jul	125	125.0	121.5
US	07/30	10:00	Pending Home Sales (m/m)	Jun	-0.5	0.4	1.1
MX	07/31	07:00	GDP (q/q)	2Q P	-0.42	--	-0.2
MX	07/31	07:00	GDP (y/y)	2Q P	0.54	--	1.3
US	07/31	07:00	MBA Mortgage Applications (w/w)	JUL 26	--	--	-1.9
US	07/31	08:15	ADP Employment Report (000s m/m)	Jul	150	150.0	102.2
CA	07/31	08:30	IPPI (m/m)	Jun	--	--	0.1
CA	07/31	08:30	Raw Materials Price Index (m/m)	Jun	--	--	-2.3
CA	07/31	08:30	Real GDP (m/m)	May	0.1	0.1	0.3
US	07/31	08:30	Employment Cost Index (q/q)	2Q	--	0.7	0.7
US	07/31	09:45	Chicago PMI	Jul	--	52.0	49.7
US	07/31	14:00	FOMC Interest Rate Meeting (%)	Jul 31	2.25	2.25	2.50
US	08/01	08:30	Initial Jobless Claims (000s)	JUL 27	210	214	206
US	08/01	08:30	Continuing Claims (000s)	JUL 20	1680	--	1676
US	08/01	10:00	Construction Spending (m/m)	Jun	0.4	0.4	-0.8
US	08/01	10:00	ISM Manufacturing Index	Jul	51.50	52.0	51.7
US	08/01	09:00	Total Vehicle Sales (mn a.r.)	Jul	17.0	16.9	17.3
CA	08/02	08:30	Merchandise Trade Balance (C\$ bn)	Jun	-0.3	-0.3	0.8
US	08/02	08:30	Average Hourly Earnings (m/m)	Jul	0.2	0.2	0.2
US	08/02	08:30	Average Hourly Earnings (y/y)	Jul	3.1	3.2	3.1
US	08/02	08:30	Average Weekly Hours	Jul	--	34.4	34.4
US	08/02	08:30	Nonfarm Employment Report (000s m/m)	Jul	175	170.0	224.0
US	08/02	08:30	Trade Balance (US\$ bn)	Jun	-53.6	-54.5	-55.5
US	08/02	08:30	Unemployment Rate (%)	Jul	3.7	3.7	3.7
US	08/02	10:00	Factory Orders (m/m)	Jun	1.1	0.7	-0.7
US	08/02	10:00	U. of Michigan Consumer Sentiment	Jul F	--	98.5	98.4

EUROPE

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	07/27	03:00	Retail Sales (m/m)	Jun	--	0.5	-1.7
UK	07/28	04:00	Nationwide House Prices (m/m)	Jul	--	0.2	0.1
SP	07/29	03:00	CPI (m/m)	Jul P	--	-0.7	-0.1
SP	07/29	03:00	CPI (y/y)	Jul P	0.6	0.6	0.4
SP	07/29	03:00	CPI - EU Harmonized (m/m)	Jul P	-1.2	-1.2	-0.1
SP	07/29	03:00	CPI - EU Harmonized (y/y)	Jul P	0.6	0.6	0.6
SP	07/29	03:00	Real Retail Sales (y/y)	Jun	--	--	3.1
UK	07/29	04:30	Net Consumer Credit (£ bn)	Jun	--	0.9	0.8
FR	07/30	01:30	GDP (q/q)	2Q P	0.4	0.3	0.3
GE	07/30	02:00	GfK Consumer Confidence Survey	Aug	--	9.7	9.8
FR	07/30	02:45	Central Government Balance (€ bn)	Jun	--	--	-83.9
FR	07/30	02:45	Consumer Spending (m/m)	Jun	0.3	0.2	0.4
SW	07/30	03:30	GDP (y/y)	2Q P	--	1.9	2.1
EC	07/30	05:00	Business Climate Indicator	Jul	--	0.1	0.2
EC	07/30	05:00	Economic Confidence	Jul	--	102.8	103.3
EC	07/30	05:00	Industrial Confidence	Jul	--	-6.5	-5.6

Forecasts at time of publication.
 Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of July 29 – August 2

EUROPE (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
GE	07/30	08:00	CPI (m/m)	Jul P	0.3	0.3	0.3
GE	07/30	08:00	CPI (y/y)	Jul P	1.5	1.5	1.6
GE	07/30	08:00	CPI - EU Harmonized (m/m)	Jul P	0.3	0.3	0.3
GE	07/30	08:00	CPI - EU Harmonized (y/y)	Jul P	1.3	1.3	1.5
UK	07/30	19:01	GfK Consumer Confidence Survey	Jul	--	-13.0	0.0
FR	07/31	02:45	CPI (m/m)	Jul P	-0.2	-0.3	0.2
FR	07/31	02:45	CPI (y/y)	Jul P	1.1	1.1	1.2
FR	07/31	02:45	CPI - EU Harmonized (m/m)	Jul P	-0.3	-0.3	0.3
FR	07/31	02:45	CPI - EU Harmonized (y/y)	Jul P	1.2	1.2	1.4
SP	07/31	03:00	Real GDP (q/q)	2Q P	0.7	0.6	0.7
GE	07/31	03:55	Unemployment (000s)	Jul	--	2.0	-1.0
GE	07/31	03:55	Unemployment Rate (%)	Jul	5.0	5.0	5.0
SP	07/31	04:00	Current Account (€ bn)	May	--	--	-0.4
EC	07/31	05:00	Euro zone CPI Estimate (y/y)	Jul	1.1	1.1	1.2
EC	07/31	05:00	Euro zone Core CPI Estimate (y/y)	Jul A	1.0	1.0	1.1
EC	07/31	05:00	GDP (q/q)	2Q A	0.2	0.2	0.4
EC	07/31	05:00	Unemployment Rate (%)	Jun	7.5	7.5	7.5
IT	07/31	05:00	CPI (m/m)	Jul P	0.1	0.1	0.1
IT	07/31	05:00	CPI (y/y)	Jul P	0.5	0.5	0.7
IT	07/31	05:00	CPI - EU Harmonized (m/m)	Jul P	-1.7	-1.7	0.1
IT	07/31	05:00	CPI - EU Harmonized (y/y)	Jul P	0.5	0.5	0.8
IT	07/31	06:00	Real GDP (q/q)	2Q P	0.0	-0.1	0.1
IT	08/01	03:45	Manufacturing PMI	Jul	--	48.0	48.4
UK	08/01	04:30	Manufacturing PMI	Jul	--	47.8	48.0
UK	08/01	07:00	BoE Asset Purchase Target (£ bn)	Aug	435	435	435
UK	08/01	07:00	BoE Policy Announcement (%)	Aug 1	0.75	0.75	0.75
IT	08/01	03:00	Budget Balance (€ bn)	Jul	--	--	-0.8
IT	08/01	03:00	Budget Balance YTD (€ bn)	Jul	--	--	-32.5
IT	08/02	04:00	Industrial Production (m/m)	Jun	--	-0.4	0.9
UK	08/02	04:30	PMI Construction	Jul	--	46.0	43.1
EC	08/02	05:00	PPI (m/m)	Jun	--	-0.4	-0.1
EC	08/02	05:00	Retail Trade (m/m)	Jun	--	0.3	-0.3

ASIA-PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	07/28	19:50	Large Retailers' Sales (y/y)	Jun	--	-0.6	-0.5
JN	07/28	19:50	Retail Trade (y/y)	Jun	--	0.2	1.3
SK	07/28	20:00	Department Store Sales (y/y)	Jun	--	--	2.7
VN	07/28	22:00	CPI (y/y)	Jul	--	2.5	2.2
VN	07/28	22:00	Industrial Production (y/y)	Jul	--	--	9.6
SK	07/29	17:00	Business Survey- Manufacturing	Aug	--	--	75.0
SK	07/29	17:00	Business Survey- Non-Manufacturing	Aug	--	--	74.0
JN	07/29	19:30	Jobless Rate (%)	Jun	2.4	2.4	2.4
JN	07/29	19:50	Industrial Production (y/y)	Jun P	--	-2.0	-2.1
AU	07/29	21:30	Building Approvals (m/m)	Jun	--	0.2	0.7
SK	07/30	19:00	Industrial Production (y/y)	Jun	--	-1.5	-0.2
SK	07/30	19:00	Cyclical Leading Index Change	Jun	--	--	-0.2
CH	07/30	21:00	Manufacturing PMI	Jul	49.6	49.6	49.4
CH	07/30	21:00	Non-manufacturing PMI	Jul	--	54.0	54.2
AU	07/30	21:30	Consumer Prices (y/y)	2Q	1.5	1.5	1.3
AU	07/30	21:30	Private Sector Credit (y/y)	Jun	--	3.5	3.6
JN	07/29-07/30		BoJ Policy Rate (%)	Jul 30	-0.1	-0.1	-0.1
IN	07/30-07/31		Fiscal Deficit (INR Crore)	Jun	--	--	209109
PH	07/30-07/31		Bank Lending (y/y)	Jun	--	--	10.6

Forecasts at time of publication.
 Source: Bloomberg, Scotiabank Economics.

Key Indicators for the week of July 29 – August 2

ASIA-PACIFIC (continued from previous page)

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	07/31	00:00	Vehicle Production (y/y)	May	--	--	4.7
JN	07/31	01:00	Consumer Confidence	Jul	--	38.5	38.7
JN	07/31	01:00	Housing Starts (y/y)	Jun	--	-2.2	-8.7
JN	07/31	01:00	Construction Orders (y/y)	Jun	--	--	-16.9
TH	07/31	03:30	Exports (y/y)	Jun	--	--	-7.2
TH	07/31	03:30	Imports (y/y)	Jun	--	--	-0.2
TH	07/31	03:30	Trade Balance (US\$ mn)	Jun	--	--	1403
TH	07/31	03:30	Current Account Balance (US\$ mn)	Jun	--	4553	-376
TA	07/31	04:00	Real GDP (y/y)	2Q P	1.7	1.8	1.7
HK	07/31	04:30	Real GDP (y/y)	2Q A	--	1.6	0.6
SK	07/31	19:00	CPI (y/y)	Jul	1.0	0.8	0.7
SK	07/31	19:00	Core CPI (y/y)	Jul	--	1.0	0.9
SK	07/31	20:00	Exports (y/y)	Jul	--	-10.9	-13.5
SK	07/31	20:00	Imports (y/y)	Jul	--	-8.1	-11.1
SK	07/31	20:00	Trade Balance (US\$ mn)	Jul	--	4956	3995
CH	07/31	21:45	Caixin Manufacturing PMI	Jul	49.7	49.6	49.4
ID	07/31	20:00	CPI (y/y)	Jul	3.7	3.3	3.3
ID	07/31	20:00	Core CPI (y/y)	Jul	--	3.2	3.3
TH	08/01	00:00	CPI (y/y)	Jul	1.0	1.0	0.9
TH	08/01	00:00	Core CPI (y/y)	Jul	--	0.5	0.5
JN	08/01	01:00	Vehicle Sales (y/y)	Jul	--	--	-0.9
TH	08/01	03:30	Business Sentiment Index	Jul	--	--	49.4
HK	08/01	04:30	Retail Sales - Volume (y/y)	Jun	--	-2.0	-1.7
NZ	08/01	18:00	ANZ Consumer Confidence Index	Jul	--	--	122.6
JN	08/01	19:50	Monetary Base (y/y)	Jul	--	--	4.0
AU	08/01	21:30	Retail Sales (m/m)	Jun	--	0.3	0.1
AU	08/01	21:30	Producer Price Index (y/y)	2Q	--	--	1.9
JN	08/01	20:00	Official Reserve Assets (US\$ bn)	Jul	--	--	1322
MA	08/02	00:00	Exports (y/y)	Jun	--	1.9	2.5
MA	08/02	00:00	Imports (y/y)	Jun	--	-2.2	1.4
MA	08/02	00:00	Trade Balance (MYR bn)	Jun	--	8.6	9.1
SI	08/02	09:00	Purchasing Managers Index	Jul	--	49.5	49.6

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CL	07/31	09:00	Industrial Production (y/y)	Jun	--	--	1.9
CL	07/31	09:00	Unemployment Rate (%)	Jun	--	--	7.1
CO	07/31	11:00	Urban Unemployment Rate (%)	Jun	--	--	11.2
BZ	07/31	08:00	SELIC Target Rate (%)	Jul 31	6.25	6.25	6.50
PE	08/01	01:00	Consumer Price Index (m/m)	Jul	0.3	--	-0.1
PE	08/01	01:00	Consumer Price Index (y/y)	Jul	2.2	--	2.3
BZ	08/01	08:00	Industrial Production SA (m/m)	Jun	--	--	-0.2
BZ	08/01	08:00	Industrial Production (y/y)	Jun	--	--	7.1
BZ	08/01	09:00	PMI Manufacturing Index	Jul	--	--	51.0
BZ	08/01	14:00	Trade Balance (FOB) - Monthly (US\$ mn)	Jul	--	--	5019.0
CL	08/02	09:00	Retail Sales (y/y)	Jun	--	--	3.3

Global Auctions for the week of July 29 – August 2**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	08/01	12:00	Canada to Sell 3 Year Bonds

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
IT	07/30	05:00	Italy to Sell Bonds
GE	07/30	05:30	Germany to Sell 4 Billion Euros of 0% 2021 Bonds
GE	07/30	05:35	2Y Note Allotment
GE	07/31	05:30	Germany to Sell 3 Billion Euros of 0% 2029 Bonds
GE	07/31	05:35	10Y Note Allotment
FR	08/01	04:50	France to Sell Bonds Including Indexed Linked Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SK	07/28	21:30	Korea Central Bank to Sell KRW 700Bln 91-Days Bond
CH	07/28	21:30	Inner Mong to Sell 5, 7, 10, 15 Yr Bonds
SI	07/29	01:00	Singapore to Sell 5YR Bonds
PH	07/30	01:00	Philippines to Sell PHP20Bln 20Y Bonds
ID	07/30	05:00	Indonesia to Sell 5,10,15,20Yr Bonds
NZ	07/31	22:05	New Zealand To Sell NZD50 Mln 2.5% 2040 Bonds
JN	07/31	23:35	Japan to Sell 10-Year Bonds
MA	07/31	00:00	Malaysia to Sell 5, 10, & 20 Yr Bonds
TA	08/02	00:30	Taiwan to Sell TWD170 Bln 364-Day NCD

Source: Bloomberg, Scotiabank Economics.

Events for the week of July 29 – August 2**NORTH AMERICA**

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
US	07/31	14:00	FOMC Rate Decision
US	07/31	14:30	Fed Chair Powell Holds Press Conference After FOMC Meeting

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
SZ	07/31	01:30	Swiss National Bank Releases 2Q 2019 Currency Allocation
TU	07/31	03:30	Central Bank Inflation Report
UK	08/01	07:00	Bank of England Bank Rate
UK	08/01	07:00	Bank of England Inflation Report
UK	08/01	07:30	BOE's Carney speaks at press conference in London

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	07/29-07/30		BOJ Policy Balance Rate
JN	07/29-07/30		BOJ 10-Yr Yield Target
JN	07/29-07/30		BOJ Outlook Report
JN	07/31	21:30	BOJ Amamiya speaks in Kagoshima
JN	08/01	19:50	BOJ Minutes of June Policy Meeting

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
BZ	07/31	08:00	Selic Rate
CO	08/02	14:00	Colombia Monetary Policy Minutes

Global Central Bank Watch

NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.75	September 4, 2019	1.75	1.75
Federal Reserve – Federal Funds Target Rate	2.50	July 31, 2019	2.25	2.25
Banco de México – Overnight Rate	8.25	August 15, 2019	8.25	8.25

Federal Reserve: A 25bps rate cut is expected with data dependent guidance on future moves. Please see the US section of the Global Week Ahead for a further discussion and preview of the expected communications.

EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	September 12, 2019	0.00	0.00
Bank of England – Bank Rate	0.75	August 1, 2019	0.75	0.75
Swiss National Bank – Libor Target Rate	-0.75	TBA	-0.75	-0.75
Central Bank of Russia – One-Week Auction Rate	7.25	September 6, 2019	7.00	7.25
Sweden Riksbank – Repo Rate	-0.25	September 5, 2019	-0.25	-0.25
Norges Bank – Deposit Rate	1.25	August 15, 2019	1.25	1.25
Central Bank of Turkey – Benchmark Repo Rate	19.75	September 12, 2019	19.25	19.75

Bank of England: No policy rate change is expected. Markets are pricing most of a quarter point rate cut by late year. This is dependent upon a hard Brexit with no agreement outcome. At this point, we continue to treat such risk as binary in nature at an early stage of PM Johnson's tenure as Prime Minister on the path toward the October 31st Brexit deadline.

ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	July 30, 2019	-0.10	-0.10
Reserve Bank of Australia – Cash Target Rate	1.00	August 6, 2019	1.00	1.00
Reserve Bank of New Zealand – Cash Rate	1.50	August 6, 2019	1.50	1.25
People's Bank of China – Lending Rate	4.35	TBA	--	--
Reserve Bank of India – Repo Rate	5.75	August 7, 2019	5.50	5.50
Bank of Korea – Bank Rate	1.50	August 29, 2019	1.50	1.75
Bank of Thailand – Repo Rate	1.75	August 7, 2019	1.75	1.75
Bank Negara Malaysia – Overnight Policy Rate	3.00	September 12, 2019	3.00	3.00
Bank Indonesia – 7-Day Reverse Repo Rate	5.75	August 22, 2019	5.75	6.00
Central Bank of Philippines – Overnight Borrowing Rate	4.50	August 8, 2019	4.25	4.25

Bank of Japan (BoJ): We do not expect any changes to the BoJ's monetary policy stance following the July 30 meeting. The BoJ will monitor economic developments closely over the coming months, paying particular attention to the impact of the forthcoming consumption tax rate hike, scheduled for October. Should the tax increase have a bigger-than-anticipated adverse impact on Japan's real GDP growth, the BoJ would likely study options for additional monetary easing.

LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	6.50	July 31, 2019	6.25	6.25
Banco Central de Chile – Overnight Rate	2.50	September 3, 2019	2.50	2.50
Banco de la República de Colombia – Lending Rate	4.25	September 27, 2019	4.25	4.25
Banco Central de Reserva del Perú – Reference Rate	2.75	August 9, 2019	2.75	2.75

Banco Central do Brasil: A 25bps rate cut is expected. Consensus is generally divided between a 25bps and 50bps rate cut. Easing inflation and soft growth offer a conducive backdrop to monetary policy easing.

AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	6.50	September 19, 2019	6.50	6.50

Forecasts at time of publication.
 Source: Bloomberg, Scotiabank Economics.

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